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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION**

CATALINA YACHTS, INC., a
California Corporation,

Plaintiff,

v.

SHARON DAY, an individual;
GERARD DOUGLAS, an individual;
and DOES 1 through 10, inclusive,

Defendants

GERARD DOUGLAS,

Counter-Plaintiff

v.

CATALINA YACHTS, INC., a
California corporation; RUSSELL LANE
BERNEY, as Trustee; JEAN C.
BUTLER, as Trustee; MICHAEL
REARDON, an individual; and ROES 1
through 5, as Trustees, inclusive

Counter-Defendant

and

Case No. 2:25-CV-04090-SVW-RAOx

**ANSWER AND
COUNTERCLAIMS OF
DEFENDANT SHARON DAY**

Hon. Stephen V. Wilson
United States District Judge
Courtroom 10A
Action Filed: May 7, 2025

JURY TRIAL DEMANDED

1 SHARON DAY,
2 Counter-Plaintiff,
3 v.
4 CATALINA YACHTS, INC., a
5 California corporation; MICHAEL
6 REARDON, an individual,
7 Counter-Defendants.
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11 Defendant, Sharon Day (hereinafter “Day”) answers the Complaint
12 (“Complaint”) filed by Plaintiff, Catalina Yachts, Inc. (hereafter “Catalina” or
13 “Plaintiff”) in the above styled matter and asserts her Counterclaims as against
14 Catalina and as against Michael Reardon as follows. Any and all allegations not
15 expressly admitted, denied, qualified or otherwise responded to are hereby denied.
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17 **Answer to Complaint**

18 1. Defendant admits the allegations in Paragraph 1, lines 19-26, and denies
19 the allegations in the last sentence, lines 26-28.

20 2. Defendant lacks knowledge or information sufficient to form a belief as
21 to the truth of the allegations in Paragraph 2.

22 3. Defendant admits that, following the destruction of her home by
23 Hurricane Helene, she is currently resides with her daughter in the State of Nevada
24 and denies the remaining allegations in Paragraph 3.

25 4. Defendant lacks knowledge or information sufficient to form a belief as
26 to the truth of the allegations in Paragraph 4, and therefore denies them.

27 5. Defendant admits the amount in controversy exceeds \$75,000, but
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1 otherwise denies the allegations in Paragraph 5.

2 6. Defendant admits the allegations in Paragraph 6.

3 7. Paragraph 7 sets forth legal conclusions and argument to which no
4 response is required. To the extent a response is required, Defendant denies the
5 allegations.

6 8. Paragraph 8 sets forth legal conclusions and argument to which no
7 response is required. To the extent a response is required, Defendant denies the
8 allegations but acknowledges this Court has ruled that venue is proper in the Central
9 District of California.

10 9. Defendant admits the allegation in Paragraph 9 as it pertains to her
11 employment, but lacks knowledge or information sufficient to form a belief as to the
12 truth of the allegations regarding Defendant Douglas and therefore denies them.

13 10. Defendant denies the allegations in Paragraph 10 and further states that
14 she formally retired on December 2, 2024.

15 11. Defendant lacks knowledge or information sufficient to form a belief as
16 to the truth of the allegations in Paragraph 11, and therefore denies them.

17 12. Defendant admits the allegation in Paragraph 12 as it pertains to her
18 execution of a Bonus Agreement, but lacks knowledge or information sufficient to
19 form a belief as to the truth of the allegations regarding Defendant Douglas and
20 therefore denies such allegations.

21 13. Paragraph 13 sets forth legal conclusions and argument to which no
22 response is required. Furthermore, the allegations in Paragraph 13 reference a written
23 agreement, which speaks for itself. To the extent a response is required, and to the
24 extent the allegations differ from or mischaracterizes, misuses, or misstates the
25 agreement, Defendant denies such allegations.

26 14. Defendant admits the Bonus Agreement exists and is a valid contract,
27 which speaks for itself. Otherwise, Defendant denies the allegations in Paragraph 14
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1 to the extent it sets forth legal conclusions and argument, to which no response is
2 required and, to the extent the allegations differ from or mischaracterizes, misuses,
3 or misstates the agreement Defendant denies such allegations.

4 15. Defendant admits the Bonus Agreement exists and is a valid contract,
5 which speaks for itself. Otherwise, Defendant denies the allegations in Paragraph 15
6 to the extent it sets forth legal conclusions and argument, to which no response is
7 required, and to the extent the allegations differ from or mischaracterizes, misuses,
8 or misstates the agreement Defendant denies such allegations.

9 16. Defendant admits she remained employed by Catalina beyond May 18,
10 2010, but lacks knowledge or information sufficient to form a belief as to the truth of
11 the allegations regarding Defendant Douglas and therefore denies those allegations.
12 Because the allegations in Paragraph 16 regarding the Sale of Catalina prior to that
13 date are vague and lack specificity, Defendant lacks knowledge or information
14 sufficient to form a belief as to the truth of the allegations and therefore denies such
15 allegations.

16 17. Defendant lacks knowledge or information sufficient to form a belief as
17 to the truth of the allegations that “the Butlers have not sold any shares of Catalina
18 nor received any payment or consideration for the sales of their shares,” and therefore
19 denies those allegations. Furthermore, Paragraph 17 also sets forth legal conclusions
20 and argument to which no response is required, and the allegations in Paragraph 17
21 reference a written agreement, which speaks for itself. To the extent a response is
22 required, and to the extent the allegations differ from or mischaracterizes, misuses,
23 or misstates the agreement, Defendant denies such allegations in Paragraph 17.

24 18. Paragraph 18 sets forth legal conclusions and argument to which no
25 response is required, and the allegations in Paragraph 18 reference a written
26 agreement, which speaks for itself. To the extent a response is required, and to the
27 extent the allegations differ from or mischaracterizes, misuses, or misstates the
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1 agreement, Defendant denies such allegations in Paragraph 18.

2 19. Defendant lacks knowledge or information sufficient to form a belief as
3 to the truth of the allegations that “the Butlers have never sold any shares of Catalina
4 and continue to hold 100% of their shares today,” and therefore denies those
5 allegations. Furthermore, Paragraph 19 also sets forth legal conclusions and
6 argument to which no response is required, and the allegations in Paragraph 19
7 reference a written agreement, which speaks for itself. To the extent a response is
8 required, and to the extent the allegations differ from or mischaracterizes, misuses,
9 or misstates the agreement, Defendant denies such allegations in Paragraph 19.

10 20. Defendant hereby incorporates the responses herein for Paragraphs 1-
11 19, inclusive, as if fully set forth herein.

12 21. Defendant admits an actual controversy exists as to whether Defendant
13 is entitled to payment under the terms of the Bonus Compensation Agreement and
14 admits the payment is owed to her under the Bonus Compensation Agreement. The
15 remainder of Paragraph 21 sets forth legal conclusions and argument, to which no
16 response is required, and also references a written agreement, which speaks for itself.
17 To the extent a response is required, and to the extent the allegations differ from or
18 mischaracterizes, misuses, or misstates the agreement, Defendant denies the
19 allegations in Paragraph 21.

20 **Affirmative Defenses**

21
22 Defendant asserts the following defenses with respect to the allegations in the
23 Complaint, without assuming the burden of proof or persuasion where such burden
24 rests on Plaintiff. Defendant has not knowingly or intentionally waived any
25 applicable defenses or counterclaims, and she reserves the right to assert and rely
26 upon other applicable defenses or counterclaims that may become available or
27 apparent throughout the course of the action, including, but not limited to the conduct
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1 of discovery. Defendant reserves the right to amend, or seek to amend, her Answer,
2 including her affirmative other defenses and counterclaims.

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4 **First Defense**

5 The Complaint fails to state a claim upon which relief may be granted, and
6 Plaintiff has not pled the claim with the required specificity under the Federal Rules
7 of Civil Procedure.

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9 **Second Defense**

10 Plaintiff's breach of the contract bars its claim.

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12 **Third Defense**

13 The applicable statute of limitations bars Plaintiff's claim, in whole or in part.

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15 **Fourth Defense**

16 The doctrine of estoppel bars Plaintiff's claim based on party admissions,
17 including statements by Plaintiff's counsel confirming Catalina Yachts was aware of
18 the obligation in the Bonus Agreement and planned to fulfill the obligation.

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20 **Fifth Defense**

21 The doctrines of unclean hands and *in pari delicto* bar Plaintiff's claim.

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23 **Sixth Defense**

24 The doctrines of waiver and/or release bar Plaintiff's claim.

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26 **Seventh Defense**

27 Plaintiff's claim is barred, in whole or in part, by its bad faith.

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Eight Defense

Plaintiff's claim is barred by its fraud and/or misrepresentations.

Ninth Defense

Plaintiff's claim is barred by its own culpable conduct.

Tenth Defense

The doctrine of laches bars Plaintiff's claim.

COUNTERCLAIMS

Counter-Plaintiff Day (“Day”), by and through her counsel, alleges as against Counter-Defendants, Catalina Yachts, Inc., and Michael Reardon (“Reardon”) as follows:

Jurisdiction, Justiciability, and Venue

1. Day is currently a resident of the State of Nevada.

2. Upon information and belief, Catalina Yachts, Inc., (“Catalina”) is a California corporation with a place of business in Los Angeles County, California, and is owned by various family trusts created by Frank and Jean Butler.

3. Upon information and belief, Additional Counter-Defendant Michael Reardon (hereinafter “Reardon”) is a resident of the State of North Carolina.

4. Again, This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1332 because there is complete diversity of citizenship between Catalina and Defendant Day and Gerard Douglas and because the amount in controversy exceeds the jurisdictional minimum of \$75,000.

5. This Court has subject matter jurisdiction over the Counterclaims against Additional Counter-Defendants Reardon, pursuant to 28 U.S.C § 1367(a) and Federal Rules of Civil Procedure 13(b) and (h) and 20(a)(2)(A). Reardon may be joined in this action because Counter-Plaintiff Day asserts a right to relief against Catalina and Reardon jointly, severally or in the alternative with respect to and arising out of the same transaction, occurrence, or series of transactions or occurrences related to breach of the Bonus Compensation Agreement.

6. This Court has personal jurisdiction over Catalina Yachts and over Reardon based on his purposeful availment and doing business with residents of the State of California, with the contacts arising out of the transaction involving the sale and purchase of assets from Catalina Yachts, a California corporation.

1 7. This Court has determined venue is proper in the Central District of
2 California because a substantial part of the events or omissions giving rise to the
3 claim occurred in Los Angeles County.

4
5 **Factual Allegations**

6 8. Day began a five-decade long career at Catalina Yachts, Inc., (“Catalina
7 Yachts”) in Woodland Hills, California, as an Administrative Assistant to the
8 President back in July 1974. She was soon promoted to Office Manager, and
9 eventually advanced to Vice-President of Sales. In that role, she focused on
10 developing sales strategies and coordinating efforts with Catalina dealers throughout
11 the United States and internationally.

12 9. In 2001, Frank Butler, the founder of Catalina Yachts, was quoted as
13 saying Day and Defendant Douglas “really have had more to do with the success
14 we’ve had than anyone else.” (Catalina Yachts: One Big Family; Steve Mitchell;
15 available at
16 <https://www.catalina22.org/index.php/cruising?view=article&id=56&catid=20>;
17 visited 7/28/2025).¹

18 10. On November 18, 2002, Day, Jean Butler (individually), and Frank
19 Butler (as President of Catalina Yachts and individually) executed the Bonus
20 Compensation Agreement, which is attached to the Complaint as Exhibit 1. (Doc.
21 No. 1-1).

22 11. Day was employed by Catalina Yachts when she signed the Bonus
23 Compensation Agreement.

24 12. Catalina Yachts offered Day this Bonus Compensation Agreement to
25 secure her continued employment, as evidenced by the Recitals, which provide,
26 “Employee is a key employee of Catalina and a Director of Catalina Yachts
27

28 ¹ Attached as Exhibit 1.

1 Catlina wishes to retain Employee's services." (Doc. No. 1-1, p. 2, Recitals ¶ A-B).

2 13. The Bonus Agreement also identified all issued and outstanding shares
3 of stock as being owned by nine separate Butler Family Trusts, defined as a group
4 and referenced in the document as the "Butlers." (Doc. No. 1-1, p. 2, Recital ¶ C).

5 14. Under the Bonus Compensation Agreement, the "Bonus is Earned" if
6 Day continued working full-time for Catalina "until the earlier of: (i) the sale of
7 Catalina; or (ii) seven and one-half (7-1/2) years from the date of execution of this
8 Agreement." (Doc. No. 1-1, p. 2 Recital ¶ 1.1).

9 15. The Bonus Compensation Agreement defined the "Sale of Catalina" to
10 include "sale of the Butlers' stock **or** sale of all of Catalina's assets." (Doc. No. 1-1,
11 p. 2, Recital ¶ 1.1 (emphasis in original)).

12 16. The Bonus Compensation Agreement provided for the payment of a
13 bonus to Day as "additional compensation equal to five percent (5%) of the: (i) net
14 sales price; or (ii) value of Catalina, whichever is appropriate." (Doc. No. 1-1, p. 3
15 ¶1.2). Under the express terms, "The Bonus paid to Employee shall be no less than
16 one million (\$1,000,000)." (Doc. No. 1-1, p. 3, Recital ¶ 1.4).

17 17. If the bonus was to be determined based upon the value of Catalina
18 Yachts, the Bonus Compensation Agreement required Catalina Yachts to "select an
19 independent, professional appraiser. . . [to] determine Catalina's fair market value."
20 (Doc. No. 1-1, p. 3, Recital ¶1.3).

21 18. In 2010, Day's right to the bonus vested because she had completed
22 seven and one-half years of employment following execution of the Bonus
23 Compensation Agreement.

24 19. Throughout her employment and continuing until his passing in 2020,
25 Frank Butler repeatedly reaffirmed Catalina's obligation to Day and stated she would
26 be paid in full pursuant to the Bonus Compensation Agreement. Mr. Butler often
27 made these comments in front of others, including Jean Butler, the Butlers' adult
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1 children, and Sharon Day's husband.

2 20. Following the passing of Catalina Yachts' founder and President Frank
3 Butler in 2020, Catalina Yachts appointed Day to be his successor to assume the role
4 and responsibilities of President of Catalina Yachts, continuing to lead the company
5 with a commitment to its legacy and growth.

6 21. In 2021, Day moved to Florida and worked almost exclusively at
7 Catalina Yachts' offices in Florida.

8 22. Following the passing of Mr. Butler, Jean Butler continued to repeatedly
9 reaffirm Catalina's obligation to Day that she would be paid pursuant to the Bonus
10 Compensation Agreement. Ms. Butler made statements including "you will be taken
11 care of" and "you will get your money" referring to the Bonus Compensation
12 Agreement.

13 23. During her employment, Day also communicated almost weekly with
14 the Butlers' daughter Nancy Bear, who repeatedly reaffirmed Catalina Yachts'
15 obligation to Day that she would be paid pursuant to the Bonus Compensation
16 Agreement and made statements like "you deserve that."

17 24. On December 2, 2024, Day formally submitted her retirement
18 documents and stepped down as President.

19 25. Day had remained employed with Catalina Yachts because she had
20 earned the bonus in an amount to be determined under the Bonus Compensation
21 Agreement.

22 26. Upon information and belief, Catalina sold all of its assets used or useful
23 in the operation of its business to Counter-Defendant Reardon and/or a related entity
24 on or about April 23, 2025.

25 27. Upon information and belief, Catalina Yachts structured the sale to
26 attempt to avoid triggering the obligation to pay Day the Vested Bonus by purporting
27 to sell fewer than all of Catalina Yachts' assets and none of its stock.

1 28. As a result of this transaction, Catalina is insolvent or left with
2 insufficient assets with which to honor its obligations to creditors.

3 29. Catalina's sale of all of the assets used and/or useful in the operation of
4 its business in April 2025 obligated Catalina to pay Day under the terms of the Bonus
5 Compensation Agreement.

6 30. After learning of the sale, Day, through counsel, demanded Catalina pay
7 the bonus owed pursuant to the Bonus Compensation Agreement. Catalina, through
8 counsel, did not dispute owing the bonus pursuant to the Bonus Compensation
9 Agreement and indicated it would pay the bonus pursuant to the Bonus
10 Compensation Agreement. A copy of correspondence with counsel is attached as
11 Exhibit 2.

12 31. Subsequently, Catalina refused and continues to refuse to pay the bonus
13 Day is entitled to receive under the Bonus Compensation Agreement.

14
15 **Count One – Breach of Contract**
16 **(Against Catalina)**

17 32. Day restates Paragraphs 1-31 of the Counterclaims and incorporates
18 those allegations by reference as if fully set forth herein.

19 33. Catalina and Day entered into the Bonus Compensation Agreement,
20 which is a valid and enforceable contract.

21 34. After executing the Bonus Compensation Agreement, Day continued
22 her employment with Catalina for more than seven and a half years.

23 35. Day performed all obligations, covenants, and conditions, including
24 conditions precedent, required of her under the Bonus Compensation Agreement,
25 except to the extent any such obligations, covenants, or conditions have been
26 excused, prevented, or waived by Catalina's acts or omissions.

27 36. Under the express provisions of the Bonus Compensation Agreement,
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1 Catalina Yachts became obligated to pay Day in April 2025 upon the sale of all of
2 the assets used and/or useful in the operation of the business.

3 37. Catalina Yachts breached the Bonus Compensation Agreement by
4 failing to pay Day five percent (5%) of Catalina Yacht's fair market value, or one
5 million dollars (\$1,000,000), whichever is greater, which was triggered when
6 Catalina sold all of the assets used and/or useful in the operation of the business to
7 Reardon.

8 38. As a direct and proximate result of Catalina's actions, Day has suffered
9 and will continue to suffer damages in an amount in excess of \$75,000 to be proven
10 at trial.

11
12 **Count Two – Breach of Duty of Good Faith and Fair Dealing**
13 **(Against Catalina)**

14 39. Day restates Paragraphs 1-38 of the Counterclaims and incorporates
15 those allegations by reference as if fully set forth herein.

16 40. Catalina and Day entered into the Bonus Compensation Agreement,
17 which is a valid and enforceable contract, and by executing the contract, Catalina
18 provided Day an implied covenant of good faith and fair dealing.

19 41. Upon information and belief, Catalina structured the sale of all
20 Catalina's assets used and/or useful in the operation of its business in April 2025 to
21 prevent Day from recovering a bonus under the Bonus Compensation Agreement that
22 would have occurred if Catalina had sold the stock to the acquirer of the assets.

23 42. Upon information and belief, Catalina's deceitful and intentional actions
24 of structuring the sale of all of the assets used and/or useful in the operation of its
25 business have made performance of the obligation to pay the Vested Bonus
26 impossible and frustrated Day's right to receive a bonus owed pursuant to the Bonus
27 Compensation Agreement.

1 43. As a direct and proximate result of Catalina Yacht's actions, Day has
2 suffered and will continue to suffer damages in an amount in excess of \$75,000 to be
3 proven at trial.

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5 **Count Three – Promissory Estoppel**
6 **(Against Catalina)**

7 44. Day restates Paragraphs 1-43 of the Counterclaims and incorporates
8 those allegations by reference as if fully set forth herein.

9 45. Catalina, through its then-President Frank Butler, as well as Jean Butler
10 and other shareholders of Catalina, made numerous representations that Day would
11 receive her bonus owed under the Bonus Compensation Agreement upon the sale of
12 Catalina.

13 46. Day relied on the oral and written representations to her detriment.

14 47. She continued her employment with Catalina, moved from California to
15 Florida, did not seek alternative employment or business arrangements, and planned
16 her retirement on the assumption that he would receive additional compensation from
17 the Vested Bonus due to Catalina's repeated assurances that she would be paid the
18 Vested Bonus upon the sale of Catalina's assets.

19 48. As a direct and proximate result of Catalina's actions, Day has suffered
20 and will continue to suffer special and general damages in an amount in excess of
21 \$75,000 to be proven at trial.

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23 **Count Four – Fraudulent Transfer of Assets 72. Cal. Civ. Code § 3439.04**
24 **(Against Catalina and Reardon)**

25 49. Day restates Paragraphs 1-48 of the Counterclaims and incorporates
26 those allegations by reference as if fully set forth herein.

27 50. Under California Law, a "transfer made or obligation incurred by a
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1 debtor is voidable as to a creditor, whether the creditor's claim arose before or after
2 the transfer was made or the obligation was incurred, if the debtor made the transfer
3 or incurred the obligation . . . [w]ith actual intent to hinder, delay, or defraud any
4 creditor of the debtor.” Civ. Code § 3439.04.

5 51. At all times relevant hereto, Catalina was a debtor of Day and Day was
6 a creditor of Catalina by virtue of her entitlement to bonus compensation in the
7 amount of not less than \$1,000,000 that vested on May 18, 2010, pursuant to the
8 Bonus Compensation Agreement.

9 52. Upon information and belief, in April 2025, while Catalina was indebted
10 to Day, Catalina purported to transfer all of the assets used and/or useful in the
11 operation of its business to Reardon and/or an entity associated with Reardon.

12 53. Upon information and belief, Catalina made the transfer with the intent
13 to hinder, delay, or defraud Day.

14 54. Upon information and belief, Catalina transferred and Reardon received
15 all of Catalina’s assets used and/or useful in the operation of its yacht manufacturing
16 and sales business without receiving a reasonably equivalent value in exchange for
17 the transfer of assets.

18 55. Upon information and belief, Catalina engaged in the transaction and its
19 remaining assets were unreasonable small in relation to the transaction.

20 56. Upon information and belief, the transfer is voidable under California
21 law.

22 57. As a direct and proximate result of Catalina Yacht’s actions, Day has
23 suffered and will continue to suffer damages in an amount in excess of \$75,000 to be
24 proven at trial.

25
26 **PRAYER FOR RELIEF**

27 WHEREFORE, Counter-Plaintiff Sharon Day respectfully requests that this
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1 Court enter judgment as follows on Plaintiff's Complaint and the Counterclaims:

2 1. In response to Plaintiff's claim for declaratory relief, a declaration that
3 Catalina Yachts owes Day a bonus payment under the Bonus Compensation
4 Agreement and that Day is entitled to receive the bonus under the Bonus
5 Compensation Agreement;

6 2. Judgment in favor of Day on the Counterclaims as follows:

7 a. Damages in the amount to be proven at trial but not less than one
8 million dollars (\$1,000,000);

9 b. A declaration that the transfer of assets from Catalina Yachts, Inc. to
10 Reardon and/or an entity associated therewith constituted a voidable
11 transfer under California Civil Code §§ 3439 et seq., an order
12 avoiding the transfer to the extent necessary to satisfy Day's claim;
13 an order of attachment or other provisional remedy against the assets
14 transferred; and an accounting of all assets transferred;

15 c. Pre-judgment and post-judgment interest at the legal rate;

16 d. Reasonable attorneys' fees and costs of suit; and

17 e. Such other and further relief as this Court deems just and proper.

18 3. Day hereby demands a trial by jury on all issues so triable.
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22 Dated: July 28, 2025

SHUMAKER, LOOP & KENDRICK,
LLP

Steven M. Berman

By: /s/ Steven M. Berman

Steven M. Berman

Attorney for Defendant

SHARON DAY